

ANITA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Assets and Liabilities	J	22
Notes to Basic Financial Statements		23-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		32
Notes to Required Supplementary Information - Budgetary Reporting		33
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	36
Schedule of Changes in Fiduciary Assets and Liabilities Agency Fund	4	37
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		39-40
Schedule of Findings		41-44

Anita Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Dr. Gerald Wessels	President	2006
Phyllis Nichols	Vice President	2006
Judy Marnin	Board Member	2005
Randall Rabe	Board Member	2007
Jeff Gregersen	Board Member	2007
Board of Education (After September 2005 Election)		
Dr. Gerald Wessels	President	2006
Phyllis Nichols	Vice President	2006
Randall Rabe	Board Member	2007
Jeff Gregersen	Board Member	2007
Julie Williamson	Board Member	2008
School Officials		
Dan Crozier	Superintendent	2006
Glennda Nelsen	District Secretary and District Treasurer	2006
Sue Seitz	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Anita Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anita Community School District, Anita, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Anita Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2006 on our consideration of Anita Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anita Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

November 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Anita Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,773,813 in fiscal 2005 to \$2,651,496 in fiscal 2006, while General Fund expenditures decreased from \$2,782,798 in fiscal 2005 to \$2,698,442 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$670,799 in fiscal 2005 to a balance of \$623,853 in fiscal 2006, a 7.00% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local sources in fiscal 2006. The decrease in expenditures was due primarily to an anticipation of receiving less in revenues, resulting in a decrease in the instruction function area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Anita Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Anita Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Anita Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Anita Community School District Annual Financial Report

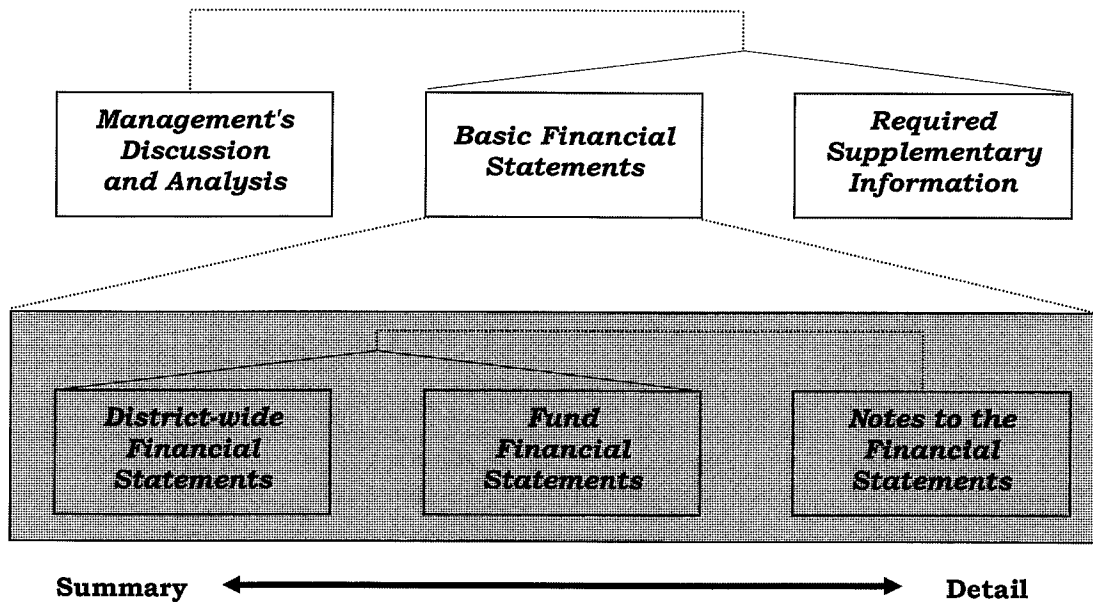


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are

one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

Agency Funds - These are funds through which the District administers and accounts for an alternative school program.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,055,937	1,737,620	18,750	20,363	2,074,687	1,757,983	18.02%
Capital assets	1,568,274	1,534,779	8,714	10,186	1,576,988	1,544,965	2.07%
Total assets	3,624,211	3,272,399	27,464	30,549	3,651,675	3,302,948	10.56%
Long-term liabilities	1,636	0	0	0	1,636	0	100.00%
Other liabilities	1,165,734	946,105	604	833	1,166,338	946,938	23.17%
Total liabilities	1,167,370	946,105	604	833	1,167,974	946,938	23.34%
Net assets:							
Invested in capital assets, net of related debt	1,568,274	1,534,779	8,714	10,186	1,576,988	1,544,965	2.07%
Restricted	254,466	183,595	0	0	254,466	183,595	38.60%
Unrestricted	634,101	607,920	18,146	19,530	652,247	627,450	3.95%
Total net assets	\$ 2,456,841	2,326,294	26,860	29,716	2,483,701	2,356,010	5.42%

The District's combined net assets increased by 5.42%, or \$127,691, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$70,871, or 38.60% over the prior year. This increase was primarily due to the increase in fund balance in the Special Revenue, Management Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$24,797, or 3.95%. This increase was primarily due to the increase in the fund balance in the Special Revenue, Physical Plant and Equipment Levy Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 331,920	497,409	80,223	65,109	412,143	562,518	-26.73%
Operating grants and contributions and restricted interest	363,051	391,249	57,947	58,036	420,998	449,285	-6.30%
Capital grants and contributions and restricted interest	4,140	0	0	0	4,140	0	100.00%
General revenues:							
Property tax	1,014,963	994,793	0	0	1,014,963	994,793	2.03%
Local option sales and services tax	167,283	76,465	0	0	167,283	76,465	118.77%
Unrestricted state grants	1,210,695	1,188,805	0	0	1,210,695	1,188,805	1.84%
Other	64,956	14,532	63	36	65,019	14,568	346.31%
Total revenues	3,157,008	3,163,253	138,233	123,181	3,295,241	3,286,434	0.27%
Program expenses:							
Governmental activities:							
Instructional	1,975,025	2,129,796	0	0	1,975,025	2,129,796	-7.27%
Support services	849,008	868,592	150	0	849,158	868,592	-2.24%
Non-instructional programs	288	9,951	140,939	122,564	141,227	132,515	6.57%
Other expenses	202,140	163,292	0	0	202,140	163,292	23.79%
Total expenses	3,026,461	3,171,631	141,089	122,564	3,167,550	3,294,195	-3.84%
Changes in net assets	130,547	(8,378)	(2,856)	617	127,691	(7,761)	-1745.29%
Beginning net assets	2,326,294	2,334,672	29,716	29,099	2,356,010	2,363,771	-0.33%
Ending net assets	\$ 2,456,841	2,326,294	26,860	29,716	2,483,701	2,356,010	5.42%

In fiscal 2006, property tax, local option sales and services tax and unrestricted state grants account for 75.79% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.95% of the revenue from business-type activities.

The District's total revenues were \$3,295,241 of which \$3,157,008 was for governmental activities and \$138,233 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 0.27% increase in revenues and a 3.84% decrease in expenses. Property tax increased by \$20,170 to fund decreases in expenditures. The decreases in expenses related to decreases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$3,157,008 and expenses were \$3,026,461.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-06	2006	2005	Change 2005-06
Instruction	\$ 1,975,025	2,129,796	-7.27%	1,371,239	1,330,357	3.07%
Support services	849,008	868,592	-2.25%	847,624	868,592	-2.41%
Non-instructional programs	288	9,951	-97.11%	288	9,951	-97.11%
Other expenses	202,140	163,292	23.79%	108,199	74,073	46.07%
Totals	\$ 3,026,461	3,171,631	-4.58%	2,327,350	2,282,973	1.94%

- The cost financed by users of the District's programs was \$331,920.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$367,191.
- The net cost of governmental activities was financed with \$1,014,963 in property tax, \$167,283 in local option sales and services tax, \$1,210,695 in state aid, \$27,136 in interest income and \$37,820 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$138,233 and expenses were \$141,089. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Anita Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$826,797, above last year's ending fund balance of \$729,078. The primary reason for the increase in combined fund balance in fiscal 2006 is due to the increase fund balance in the Special Revenue, Management Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$670,799 on June 30, 2005 to \$623,853 on June 30, 2006. The District's General Fund financial position is the product of many factors. A decrease in the taxes, tuition, other local revenue and federal sources during the year resulted in a decrease in total revenues. The decrease in expenditures was due to the decreases in employee's salaries and benefits. Revenues did not exceeded expenditures ensuring the decline in the District's financial position.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased during the current year from a deficit \$97,977 in 2005, to a deficit \$40,204 in 2006. This increased resulted from a decrease in the expenditures during the year.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$29,716 at June 30, 2005 to \$26,860 at June 30, 2006, representing a decrease of 9.61%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$379,137 less than budgeted revenues, a variance of 10.32%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1,576,988, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.03% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$119,058.

The original cost of the District's capital assets was \$3,820,315. Governmental funds account for \$3,776,122 with the remainder of \$44,193 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,388,770 at June 30, 2006, compared to \$1,337,535 reported at June 30, 2005. This increase is due to the addition of capital assets completed and built during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 6,643	6,643	0	0	6,643	6,643	0.00%
Buildings	1,388,770	1,337,535	0	0	1,388,770	1,337,535	3.69%
Land improvements	38,590	36,416	0	0	38,590	36,416	5.63%
Machinery and equipment	134,271	154,185	8,714	10,186	142,985	164,371	-14.96%
Total	\$ 1,568,274	1,534,779	8,714	10,186	1,576,988	1,544,965	2.03%

Long-Term Debt

At June 30, 2006, the District had \$1,636 in other long-term debt outstanding. This represents an increase of 100% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had early retirement payable of \$1,636 at June 30, 2006 payable from the Special Revenue, Management Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
Early Retirement	\$ 1,636	0	100.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increased expenditures have been caused by the increased price of gasoline and heating costs. An increase in the security of the high school building has also caused expenditures to increase.
- Inflation and the cost of living increases continue to affect the residents of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Glennnda Nelsen, District Secretary, Anita Community School District, 1000 Victory Park Road, Anita, Iowa, 50020.

BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 939,330	8,764	948,094
Receivables:			
Property tax:			
Delinquent	20,457	0	20,457
Succeeding year	993,545	0	993,545
Income surtax	63,406	0	63,406
Due from other governments	39,199	0	39,199
Inventories	0	9,986	9,986
Capital assets, net of accumulated depreciation (Note 4)	1,568,274	8,714	1,576,988
TOTAL ASSETS	3,624,211	27,464	3,651,675
LIABILITIES			
Accounts payable	170,638	0	170,638
Deferred revenue:			
Succeeding year property tax	993,545	0	993,545
Other	1,551	0	1,551
Unearned revenue	0	604	604
Long-term liabilities (Note 5):			
Portion due within one year:			
Early retirement payable	1,636	0	1,636
TOTAL LIABILITIES	1,167,370	604	1,167,974
NET ASSETS			
Investment in capital assets, net of related debt	1,568,274	8,714	1,576,988
Restricted for:			
Talented and gifted	12,954	0	12,954
Capital projects	102,247	0	102,247
Management levy	84,573	0	84,573
Public education and recreation levy	4,115	0	4,115
Other special revenue purposes	50,577	0	50,577
Unrestricted	634,101	18,146	652,247
TOTAL NET ASSETS	\$ 2,456,841	26,860	2,483,701

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,066,641	127,528	257,518	0	(681,595)	0
Special instruction	408,247	45,281	15,732	0	(347,234)	0
Other instruction	500,137	157,727	0	0	(342,410)	0
	1,975,025	330,536	273,250	0	(1,371,239)	0
Support services:						
Student services	68,305	0	0	0	(68,305)	0
Instructional staff services	67,102	0	0	0	(67,102)	0
Administration services	277,836	0	0	0	(277,836)	0
Operation and maintenance of plant services	254,977	0	0	0	(254,977)	0
Transportation services	180,788	1,384	0	0	(179,404)	0
	849,008	1,384	0	0	(847,624)	0
Non-instructional programs:						
Community service operations	288	0	0	0	(288)	0
Other expenditures:						
Facilities acquisitions	54,533	0	0	4,140	(50,393)	0
AEA flowthrough	89,801	0	89,801	0	0	0
Depreciation(unallocated)*	57,806	0	0	0	(57,806)	0
	202,140	0	89,801	4,140	(108,199)	0
Total governmental activities	3,026,461	331,920	363,051	4,140	(2,327,350)	0
Business-Type activities:						
Support services:						
Administration services	150	0	0	0	0	(150)
Non-instructional programs:						
Food service operations	140,939	80,223	57,947	0	0	(2,769)
Total business-type activities	141,089	80,223	57,947	0	0	(2,919)
Total	\$ 3,167,550	412,143	420,998	4,140	(2,327,350)	(2,919)
General Revenues:						
Local tax for:						
General purposes					\$ 940,589	0
Capital outlay					74,374	0
Local option sales and services tax					167,283	0
Unrestricted state grants					1,210,695	0
Unrestricted investment earnings					27,136	63
Other					37,820	0
Total general revenues					2,457,897	63
Changes in net assets					130,547	(2,856)
Net assets beginning of year					2,326,294	29,716
Net assets end of year					\$ 2,456,841	26,860

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Physical Plant And Equipment Levy	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 654,940	58,365	226,025	939,330
Receivables:				
Property tax:				
Delinquent	17,054	1,431	1,972	20,457
Succeeding year	867,403	67,085	59,057	993,545
Income surtax	63,406	0	0	63,406
Interfund	100,000	0	0	100,000
Due from other governments	23,594	0	15,605	39,199
TOTAL ASSETS	\$ 1,726,397	126,881	302,659	2,155,937
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	100,000	0	100,000
Accounts payable	170,184	0	454	170,638
Deferred revenue:				
Succeeding year property tax	867,403	67,085	59,057	993,545
Income surtax	63,406	0	0	63,406
Other	1,551	0	0	1,551
Total liabilities	1,102,544	167,085	59,511	1,329,140
Fund balances:				
Reserved for:				
Talented and gifted	12,954	0	0	12,954
Unreserved:				
General	610,899	0	0	610,899
Physical plant and equipment levy	0	(40,204)	0	(40,204)
Management levy	0	0	86,209	86,209
Public education and recreation levy	0	0	4,115	4,115
Capital projects	0	0	102,247	102,247
Other special revenue purposes	0	0	50,577	50,577
Total fund balances	623,853	(40,204)	243,148	826,797
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,726,397	126,881	302,659	2,155,937

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 15) \$ 826,797

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 1,568,274

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 63,406

Long-term liabilities, including early retirement payable
are not due and payable in the current period and,
therefore, are not reported as liabilities in the
governmental funds. (1,636)

Net assets of governmental activities (page 13) \$ 2,456,841

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 858,145	65,529	257,603	1,181,277
Tuition	154,186	0	0	154,186
Other	69,258	13,831	163,302	246,391
Intermediate sources	9,152	0	0	9,152
State sources	1,441,331	58	80	1,441,469
Federal sources	119,424	4,140	0	123,564
Total revenues	2,651,496	83,558	420,985	3,156,039
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,063,321	0	3,869	1,067,190
Special instruction	406,195	0	1,414	407,609
Other instruction	338,057	0	154,808	492,865
	1,807,573	0	160,091	1,967,664
Support services:				
Student services	67,824	0	481	68,305
Instructional staff services	66,923	0	179	67,102
Administration services	265,717	0	10,691	276,408
Operation and maintenance of plant services	232,272	0	20,699	252,971
Transportation services	168,044	0	1,989	170,033
	800,780	0	34,039	834,819
Non-instructional programs:				
Community service operations	288	0	0	288
Other expenditures:				
Facilities acquisitions	0	25,785	139,963	165,748
AEA flowthrough	89,801	0	0	89,801
	89,801	25,785	139,963	255,549
Total expenditures	2,698,442	25,785	334,093	3,058,320
Net change in fund balances	(46,946)	57,773	86,892	97,719
Fund balance beginning of year	670,799	(97,977)	156,256	729,078
Fund balance end of year	\$ 623,853	(40,204)	243,148	826,797

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ 97,719

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 151,081	
Depreciation expense	<u>(117,586)</u>	33,495

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	969
---	-----

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>(1,636)</u>
------------------	----------------

Changes in net assets of governmental activities (page 14)	<u><u>\$ 130,547</u></u>
--	--------------------------

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 8,764
Inventories	9,986
Capital assets, net of accumulated depreciation(Note 4)	8,714
TOTAL ASSETS	<u>27,464</u>
LIABILITIES	
Unearned revenue	604
TOTAL LIABILITIES	<u>604</u>
NET ASSETS	
Investment in capital assets, net of related debt	8,714
Unrestricted	18,146
TOTAL NET ASSETS	<u>\$ 26,860</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 80,223
TOTAL OPERATING REVENUES	<u>80,223</u>
OPERATING EXPENSES:	
Support services:	
Administrative services:	
Services	<u>150</u>
Non-instructional programs:	
Food service operations:	
Salaries	58,146
Benefits	7,722
Services	1,825
Supplies	71,774
Depreciation	1,472
	<u>140,939</u>
TOTAL OPERATING EXPENSES	<u>141,089</u>
OPERATING LOSS	<u>(60,866)</u>
NON-OPERATING REVENUES:	
State sources	1,508
Federal sources	56,439
Interest on investments	63
TOTAL NON-OPERATING REVENUES	<u>58,010</u>
Change in net assets	(2,856)
Net assets beginning of year	<u>29,716</u>
Net assets end of year	<u>\$ 26,860</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 76,425
Cash received from miscellaneous sources	3,569
Cash payments to employees for services	(65,868)
Cash payments to suppliers for goods or services	(65,558)
Net cash used in operating activities	<u>(51,432)</u>
Cash flows from non-capital financing activities:	
State grants received	1,508
Federal grants received	46,984
Net cash provided by non-capital financing activities	<u>48,492</u>
Cash flows from investing activities:	
Interest on investments	63
Net cash provided by investing activities	<u>63</u>
Net decrease in cash and cash equivalents	(2,877)
Cash and cash equivalents at beginning of year	<u>11,641</u>
Cash and cash equivalents at end of year	<u>\$ 8,764</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (60,866)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,455
Depreciation	1,472
Increase in inventories	(1,264)
Decrease in deferred revenue	(229)
Net cash used in operating activities	<u>\$ (51,432)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 8,764</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$9,455.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 18,405</u>
Liabilities	
Due to other groups	<u>\$ 18,405</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Anita Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Anita, Iowa, and the predominate agricultural territory in Cass, Adair and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Anita Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Anita Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cass, Adair and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Agency Fund.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in

nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments

represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one reporting year.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 685,171</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Physical Plant and Equipment Levy	<u>\$ 100,000</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,643	0	0	6,643
Total capital assets not being depreciated	<u>6,643</u>	<u>0</u>	<u>0</u>	<u>6,643</u>
Capital assets being depreciated:				
Buildings	2,690,486	106,697	0	2,797,183
Land improvements	42,358	4,518	0	46,876
Machinery and equipment	911,399	39,866	25,845	925,420
Total capital assets being depreciated	<u>3,644,243</u>	<u>151,081</u>	<u>25,845</u>	<u>3,769,479</u>
Less accumulated depreciation for:				
Buildings	1,352,951	55,462	0	1,408,413
Land improvements	5,942	2,344	0	8,286
Machinery and equipment	757,214	59,780	25,845	791,149
Total accumulated depreciation	<u>2,116,107</u>	<u>117,586</u>	<u>25,845</u>	<u>2,207,848</u>
Total capital assets being depreciated, net	<u>1,528,136</u>	<u>33,495</u>	<u>0</u>	<u>1,561,631</u>
Governmental activities capital assets, net	<u>\$ 1,534,779</u>	<u>33,495</u>	<u>0</u>	<u>1,568,274</u>
Business-type activities:				
Machinery and equipment	\$ 44,193	0	0	44,193
Less accumulated depreciation	34,007	1,472	0	35,479
Business-type activities capital assets, net	<u>\$ 10,186</u>	<u>(1,472)</u>	<u>0</u>	<u>8,714</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 16,681
Special	638
Other	7,272

Support services:

Administration	1,428
Operation and maintenance	2,006
Transportation	31,755

Unallocated depreciation

59,780
57,806

Total governmental activities depreciation expense

\$ 117,586

Business-type activities:

Food services	\$ 1,472
Total business-type activities depreciation expense	\$ 1,472

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 0	1,636	0	1,636	1,636

Early Retirement

The District offers a voluntary early retirement plan to its Classified employees that are at least 55 years of age and have worked in the school district for twenty years or more. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are based on the employee's remaining sick leave days multiplied by a dollar amount based on the date of resignation. The liability will be paid out of the Special Revenue, Management Fund and is shown on the government-wide Statement of Net Assets.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by

State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$85,997, \$82,444, and \$84,254 respectively, equal to the required contributions for each year.

(7) Risk Management

Anita Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$89,801 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Fund Balance

The Physical Plant and Equipment Levy Fund had a deficit unreserved fund balance of \$40,204 at June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 1,581,854	80,286	1,662,140	1,846,008	1,846,008	(183,868)
Intermediate sources	9,152	0	9,152	9,000	9,000	152
State sources	1,441,469	1,508	1,442,977	1,513,401	1,513,401	(70,424)
Federal sources	123,564	56,439	180,003	305,000	305,000	(124,997)
Total revenues	3,156,039	138,233	3,294,272	3,673,409	3,673,409	(379,137)
Expenditures:						
Instruction	1,967,664	0	1,967,664	2,772,845	2,772,845	805,181
Support services	834,819	150	834,969	838,600	838,600	3,631
Non-instructional programs	288	140,939	141,227	258,000	258,000	116,773
Other expenditures	255,549	0	255,549	363,263	363,263	107,714
Total expenditures	3,058,320	141,089	3,199,409	4,232,708	4,232,708	1,033,299
Excess(deficiency) of revenues over(under) expenditures	97,719	(2,856)	94,863	(559,299)	(559,299)	654,162
Other financing uses, net	0	0	0	(60,000)	(60,000)	60,000
Excess(deficiency) of revenues over(under) expenditures and other financing uses	97,719	(2,856)	94,863	(619,299)	(619,299)	714,162
Balance beginning of year	729,078	29,716	758,794	644,050	644,050	114,744
Balance end of year	\$ 826,797	26,860	853,657	24,751	24,751	828,906

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Nonmajor Special Revenue Funds					Total
	Manage- ment	Student Activity	Public Education and Recreation Levy	Total Special Revenue Funds	Capital Projects	Total Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 84,430	50,577	3,922	138,929	87,096	226,025
Receivables:						
Property tax:						
Current year delinquent	1,779	0	193	1,972	0	1,972
Succeeding year	50,000	0	9,057	59,057	0	59,057
Due from other governments	0	0	0	0	15,605	15,605
TOTAL ASSETS	\$ 136,209	50,577	13,172	199,958	102,701	302,659
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	0	0	0	454	454
Deferred revenue:						
Succeeding year property tax	50,000	0	9,057	59,057	0	59,057
TOTAL LIABILITIES	50,000	0	9,057	59,057	454	59,511
Fund equity:						
Fund balances:						
Unreserved:						
Undesignated	86,209	50,577	4,115	140,901	102,247	243,148
Total fund balances	86,209	50,577	4,115	140,901	102,247	243,148
TOTAL LIABILITIES AND FUND EQUITY	\$ 136,209	50,577	13,172	199,958	102,701	302,659

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Nonmajor Special Revenue Funds					Total
	Manage-	Student	Public	Total	Capital	Other
	ment	Activity	Education and	Special	Projects	Nonmajor
			Recreation	Revenue		Governmental
			Levy	Funds		Funds
REVENUES:						
Local sources:						
Local tax	\$ 81,475	0	8,845	90,320	167,283	257,603
Other	3,993	156,987	33	161,013	2,289	163,302
State sources	72	0	8	80	0	80
TOTAL REVENUES	85,540	156,987	8,886	251,413	169,572	420,985
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	3,869	0	0	3,869	0	3,869
Special instruction	1,414	0	0	1,414	0	1,414
Other instruction	715	154,093	0	154,808	0	154,808
Support services:						
Student services	481	0	0	481	0	481
Instructional staff services	179	0	0	179	0	179
Administration services	10,691	0	0	10,691	0	10,691
Operation and maintenance of plant services	14,382	0	0	14,382	6,317	20,699
Student transportation	1,989	0	0	1,989	0	1,989
Other expenditures:						
Facilities acquisitions	0	0	8,739	8,739	131,224	139,963
TOTAL EXPENDITURES	33,720	154,093	8,739	196,552	137,541	334,093
Net change in fund balances	51,820	2,894	147	54,861	32,031	86,892
Fund balance beginning of year	34,389	47,683	3,968	86,040	70,216	156,256
Fund balance end of year	\$ 86,209	50,577	4,115	140,901	102,247	243,148

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 5,223	54,713	56,382	3,554
Athletic Students	880	7,332	6,361	1,851
Cheerleaders	89	2,409	1,758	740
Industrial Arts	2,289	3,323	3,286	2,326
NFL/Q & S	2,048	3,892	3,375	2,565
FFA	1,785	20,098	19,768	2,115
Graduating Classes	14,958	28,946	29,806	14,098
Yearbook	5,072	6,795	6,253	5,614
Interest/Inactive Accounts	300	866	818	348
Juice/Pop Account	1,628	12,752	12,161	2,219
NHS/Student Council	402	3,173	2,342	1,233
Music	84	1,420	1,428	76
Academic Clubs	1,988	783	1,208	1,563
Track Club Concessions	27	0	0	27
Service Learning	104	0	0	104
Elementary Accounts	10,806	10,485	9,147	12,144
Total	\$ 47,683	156,987	154,093	50,577

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 13,441	15,700	10,736	18,405
Liabilities				
Due to other groups	\$ 13,441	15,700	10,736	18,405

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

Modified Accrual Basis				
Years Ended June 30,				
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,181,277	1,083,074	1,019,143	923,642
Tuition	154,186	234,501	228,444	56,239
Other	246,391	267,982	259,823	220,142
Intermediate sources	9,152	8,336	8,501	11,424
State sources	1,441,469	1,413,456	1,243,062	1,364,975
Federal sources	123,564	166,590	226,247	176,280
Total	\$ 3,156,039	3,173,939	2,985,220	2,752,702
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,067,190	1,250,804	1,332,693	1,165,088
Special instruction	407,609	321,014	360,844	316,745
Other instruction	492,865	564,976	358,266	340,732
Support services:				
Student services	68,305	53,601	41,595	22,290
Instructional staff services	67,102	96,163	59,972	55,609
Administration services	276,408	287,390	281,365	259,333
Operation and maintenance of plant services	252,971	239,164	214,094	198,537
Transportation services	170,033	181,682	108,074	168,295
Central services	0	0	954	278
Non-instructional programs	288	9,951	3,425	8,384
Other expenditures:				
Facilities acquisitions	165,748	47,563	63,857	68,678
AEA flow-through	89,801	89,219	90,188	98,455
Total	\$ 3,058,320	3,141,527	2,915,327	2,702,424

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Anita Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anita Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anita Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

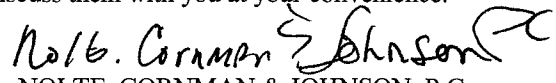
As part of obtaining reasonable assurance about whether Anita Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Anita Community School District and other parties to whom Anita Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Anita Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

November 27, 2006

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-06 Authorized Check Signatures - Checks written from the Elementary Activity bank account only have one signature. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks written by the District. The Board President can designate an individual other than himself/herself, however the Board Secretary may not designate an alternative authorized signer.

Recommendation - The District should require all checks to be signed by both the Board Secretary and the Board President or his/her designated individual.

Response - We are reviewing the matter and will implement a change to our current procedures as soon as a method is determined.

Conclusion - Response accepted.

- I-C-06 Purchase Orders - We noted during our audit that several activity expenditures were made without a purchase order.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - We will review procedures in place.

Conclusion - Response accepted.

I-D-06 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

There were purchases of flowers for an open house from the Elementary accounts. These expenses would appear to be General Fund type expenditures. This account is not cocurricular in nature but would appear to be more administrative and therefore should be run through the General Fund.

There are several accounts without activity during the year. These accounts include Track Club Concession and Service Learning. These accounts should be reviewed and determined if needed to be closed to other accounts or transferred out of the Student Activity Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - We will review procedures in place.

Conclusion - Response accepted.

I-E-06 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage as part of the credit card policy. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will review procedures in place.

Conclusion - Response accepted.

I-F-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks. Wages received from officiating needs to be on the employee's W-2's and should be reported on the District's payroll reports.

Response - We will implement procedures to keep track of non-certified coaching hours.

Conclusion - Response accepted.

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dianne Denney, Custodian Spouse owns crane service	Purchased Services	\$1,500

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the custodian does not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- II-J-06 Financial Condition - The District had a deficit undesignated fund balance of \$40,204 in the Physical Plant and Equipment Levy (PPEL) Fund.

Recommendation - The District should monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor this fund and investigate any available options to eliminate this deficit.

Conclusion - Response accepted.